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ABSTRACT

Summarized in this report are the proceedings of a conference sponsored by the Institute for Research on Poverty and the Department of Health and Human Services, and entitled "Poverty and Policy: Retrospect and Prospects." Each section of the report contains a summary of one conference session. Major themes include: (1) the effects of market income and government transfer programs on the trend in poverty over the past twenty years; (2) the effects of demographic change and income support programs on family structure; (3) the roles of the civil rights, legal rights, and welfare rights movements in reducing poverty; (4) the relative effects on low-income workers of macroeconomic events (unemployment and inflation) and of government employment programs; (5) the results of health and education programs for the poor; and (6) the political and budgetary realities that constrain antipoverty policies. The final section recommends areas for further research. (KH)

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Special Issue: Conference at Williamsburg

Session 1: Transfers, market income, and the trend in poverty 2

Session 2: Family background, family structure, and poverty 8

Session 3: Social services, civil rights, and poverty 11

Session 4: The labor market and poverty 13

Session 5: Health, education, and poverty 16

Session 6: The budgetary and social costs of antipoverty policy 20

Session 7: Summing up and looking ahead 24

Small grants program: Round IV awards 25

Recent books 26

UD 024299

Antipoverty policy: Past and future

In December 1984, members of the academic community and of federal agencies concerned with social policy met in Williamsburg, Virginia, to discuss and debate the achievements, failures, and lessons of government efforts to reduce poverty in America. Sponsored by the Institute and the U.S. Department of Health and Human Services, the conference, titled "Poverty and Policy: Retrospect and Prospects," provided a forum for analysts and policymakers to pool, interpret, and sometimes challenge research results. It also offered the opportunity to exchange ideas on the future direction of policies to improve the condition of the poor.

A series of commissioned papers covered six general areas: the effects of market income and government transfer programs on the trend in poverty over the past twenty years; the effects of demographic change and income support programs on family structure; the roles of the civil rights, legal rights, and welfare rights movements in reducing poverty; the relative effects on low-income workers of macroeconomic events—unemployment and inflation—and of government employment programs; the results of health and education programs for the poor; and, finally, the political and budgetary realities that constrain antipoverty policies.

Session 1: Transfers, market income, and the trend in poverty

This paper's analysis of trends in poverty and antipoverty policy concludes that although poverty has declined substantially, a significant problem remains.

Sheldon Danziger, Robert Haveman, and Robert Plotnick

In this limited sense of redistributing income to those in need without creating undue distortions, current policy is economically efficient.

David Ellwood and Lawrence Summers

The opening session examined trends in poverty as well as the efficacy of policies to counteract it over the past twenty years. Danziger, Haveman, and Plotnick led off with an assessment of how changing levels of social spending, economic conditions, and demographic change have affected poverty as measured in different ways. Ellwood and Summers followed by addressing the question of whether welfare (public assistance) has proved to be the solution or the principal contributing factor to the continued existence of poverty.

Patterns of the past: Trends, costs, and benefits

Danziger, Haveman, and Plotnick first provided a brief review of antipoverty policies in the last two decades. The original strategy of the War on Poverty was to raise labor market productivity and improve the economy in an effort to cure what were regarded as the three fundamental causes of poverty: lagging economic performance, deficiencies in job skills and qualifications of the poor, and discrimination by those who controlled access to employment or goods or services. A great deal of money was accordingly invested in social insurance, public assistance, and public employment programs after 1964. Real average annual growth rates in federal spending on those programs were 7.9 percent during the Kennedy-Johnson years (fiscal years 1961–69) and 9.7 percent during the Nixon-Ford years (1969–77). Spending growth then slowed to less than 4 percent per year during the Carter administration and declined to about 1.5 percent per year during the first Reagan administration.[1]

The authors then summarized trends in poverty. Under the official measure—cash income after transfers but before taxes—poverty at first declined rapidly, from 19 percent of the population in 1964 to 12.1 percent in 1969. It continued downward, but at a slower rate, in the early 1970s, reaching its lowest point of 11.1 percent in 1973, then fluctuated around 11.5 percent for the rest of the decade before accelerating sharply upward after 1979. In 1983 it stood at 15.2 percent. Adjusting the official measure to account for such in-kind benefits as food stamps and health care produces lower percentages but the same course: a sharp decline from 1965 to 1972, then stability until the late 1970s, followed by a rapid increase in the early 1980s.

Decomposition of these overall rates to reflect the experience of particular demographic groups shows that the largest reductions in poverty took place among the elderly, where the decline from the mid-1960s to 1983 was almost 90 percent under the adjusted measure (see Table 1). Among all whites, poverty over that period dropped by 42 percent; among blacks, by 57 percent, although their poverty rate remained much higher than that of whites in both years. In 1983 the incidence of poverty among persons living in households headed by blacks, Hispanics, and women exceeded 20 percent, even when noncash assistance is taken into account.

Table 1
Percentage of Persons in Poverty, by Demographic Group, 1964–83

Demographic Group[a]	Official Measure 1964 (1)	Official Measure 1983 (2)	Adjusted for In-Kind Transfers at Market Value 1983 (3)	Percentage Difference Between Columns (3) and (1)[b] (4)
All	19.0%	15.2%	10.2%	−46.3%
White	14.9	12.1	8.6	−42.3
Black	49.6	35.7	21.2	−57.3
Hispanic[c]	NA	28.4	20.2	NA
Living with female householder, no husband present	45.9	40.2	24.7	−46.2
Elderly (65+)	28.5[d]	14.1	3.3	−88.4
Children under 18	20.7[d]	22.2	15.6	−24.6

Source: Sheldon Danziger, Robert Haveman, and Robert Plotnick, "Antipoverty Policy: Effects on the Poor and the Nonpoor," Institute for Research on Poverty, Conference Paper, revised March 1985, Table 2. Data are from Census Bureau publications.

Note: NA = not available.

[a] These groups are not mutually exclusive because of constraints in the published data. For example, the category "White" includes all persons living in a household where the head is white. Those whites who are, to take an example, elderly female household heads will also be included in the other two groups.

[b] Defined as [(adjusted rate 1983 − official rate 1964)/official rate 1964] x 100.

[c] Hispanics may be of any race.

[d] Figures are for 1966 since they are not published for 1964 or 1965.

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Williamsburg Conference Papers

Most of the papers listed below are versions revised after the conference. All include their discussants' comments. Papers may be ordered from the Institute (see order form, inside back cover).

Transfers, Market Income, and the Trend in Poverty

1. "Antipoverty Policy: Effects on the Poor and Nonpoor," by Sheldon Danziger (University of Wisconsin), Robert Haveman (University of Wisconsin), and Robert Plotnick (University of Washington).
2. "Poverty in America: Is Welfare the Answer or the Problem?" by David T. Ellwood and Lawrence H. Summers (Harvard University).

   Comments by Morton Paglin (Portland State University), Timothy Smeeding (University of Utah), and Kenneth Clarkson (University of Miami).

Family Background, Family Structure, and Poverty

3. "Household Composition and Poverty: Which Comes First?" by Mary Jo Bane (Harvard University).
4. "Poverty and Family Structure: The Widening Gap between Evidence and Public Policy Issues" by William Julius Wilson and Kathryn M. Neckerman (University of Chicago).

   Comments by Lee Rainwater (Harvard University) and June O'Neill (Urban Institute).

Social Services, Civil Rights, and Poverty

5. "Social Policies, Civil Rights, and Poverty," by Charles V. Hamilton (Columbia University) and Dona C. Hamilton (Lehman College).

   Comment by Peter Eisinger (University of Wisconsin).
6. "Legal Rights and Welfare Change: 1960–1980," by Michael Sosin (University of Wisconsin).

   Comment by Lawrence M. Mead (New York University).

The Labor Market and Poverty

7. "Macroeconomics, Income Distribution, and Poverty," by Rebecca M. Blank and Alan S. Blinder (Princeton University).

The Labor Market and Poverty (Cont.)

8. "The Effect of Direct Job Creation and Training Programs on Low-Skilled Workers," by Laurie J. Bassi (Georgetown University) and Orley Ashenfelter (Princeton University).

   Comments by Peter Gottschalk (Bowdoin College) and Joseph Antos (U. S. Office of Management and Budget).

Health, Education, and Poverty

9. "Health Care and the Poor: The Last Twenty Years," by Paul Starr (Princeton University).

   Comment by Jack A. Meyer (American Enterprise Institute).
10. "Education and Training Programs and Poverty; *or,* Opening the Black Box," by Nathan Glazer (Harvard University).

    Comment by Christopher Jencks (Northwestern University).

Budgetary and Social Costs of Antipoverty Policy

11. "Public Spending for the Poor: Trends, Prospects, and Economic Limits," by Gary Burtless (Brookings Institution).
12. "The Political Foundations of Antipoverty Policy," by Hugh Heclo (Harvard University).

    Comments by James Patterson (Brown University) and John Palmer (Urban Institute).

Summing Up and Looking Ahead

13. "A Rapporteur's Reflections on the Main Themes of the Conference," by Edward M. Gramlich (University of Michigan).
14. "A Poverty Research Agenda for the Next Decade," by Daniel Weinberg (U.S. Department of Health and Human Services).

Poverty concepts and measures

The authors examined concepts of poverty that vary according to source of income. "Pretransfer poverty" refers to those whose income lies below the official poverty threshold after earnings and other personal income are counted and before government transfers are received. These numbers provide a measure of the public-sector effort that would be required to remove those people from poverty after the private sector has distributed its rewards. The "prewelfare poor" are those who remain impoverished even after receiving social insurance benefits, such as unemployment insurance and retirement income from Old Age and Survivors insurance, most of which are related to previous earnings. Information about the prewelfare poor tells us which persons and families would need such cash assistance programs as AFDC and Supplemental Security Income to escape poverty.

In terms of where we stand today, the record for both those poor before any transfers and those poor before welfare receipt is somber. The pretransfer poverty rate in 1965 was 21.3 percent. After declining to 17.7 percent in 1969, it stayed between 19 and 22 percent until the early 1980s, then rose to 24.2 percent in 1983. Prewelfare poverty also fell; its lowest point was 12.4 percent in 1973, but by 1983 it was 16.1 percent, only slightly lower than in 1965. The authors offered two summary statements: "If solving the poverty problem means eliminating reliance on any income support program to obtain non-poverty incomes, no progress toward a solution is evident. If solving the poverty problem means eliminating the need for public assistance to achieve above-poverty incomes, a solution still eludes us" (pp. 14–15).

Forces driving poverty up or down

To identify the forces that have impelled these trends over time, the authors emphasized three factors: economic performance, government transfers, and demographic change. Viewed in this way, the years 1965 to 1983 fall into four different periods. From 1965 to 1969 a strong economy made pretransfer poverty decline, while the antipoverty effect of transfers (defined as the percentage of pretransfer poor removed from poverty by them) increased; the result was that poverty fell rapidly. From 1969 to 1975 pretransfer poverty rose as the result of recession, but transfers also grew more effective; the result was that poverty remained fairly steady. From 1975 to 1978, pretransfer poverty declined somewhat as the economy improved, while the effects of transfers did not change, so poverty fell slightly. From 1978 to 1983, the antipoverty effect of transfers declined and pretransfer poverty rose, owing to recession; the rate consequently climbed steeply. Meanwhile, increases in the size of demographic groups with higher than average poverty rates, particularly single women with children—the subject of the next conference session—increased the aggregate poverty rate even when market income and transfer growth both worked to lower the rate.

What does this permit us to say about government efforts to reduce impoverishment? When the Great Society programs were conceived, it was thought that government assistance could better the condition of the working poor by ensuring economic growth and providing job training and education, and that reliance on transfers would be minimized as earnings went up. This expectation has not been realized: much of the change in poverty since 1965 results from improvement in the transfer system, a method that is both costly and conflicts with the American ethic of self-reliance.

Gains and losses for the nonpoor

Danziger, Haveman, and Plotnick also provided a rough estimate of what the gains and losses from antipoverty policies have been for those not poor—those who paid most of the bill for whatever gains were achieved by the poor. Among the losses are increased taxes to finance government outlays, as well as lower earnings that stem from a reduction in labor supply by the nonpoor in the face of greater benefits combined with higher taxation. On the other hand, this decreased work effort may be seen as a benefit in the form of more leisure and home activities. Other "spillover" benefits include higher levels for the nonpoor of transfer income, education and training, and medical care services. The nonpoor also benefit through increased economic security.

Summing the totals of the approximate values assigned to the quantifiable items produced an estimated net loss to the nonpoor equivalent to 2–3 percent of personal income in 1980. A small price, the authors thought, in return for the benefits to society of poverty reduction and enhanced income security.

Hindsight and foresight

The paper concluded by offering lessons from the past and recommendations for the future. One lesson is that we have made gains against poverty, purchased at large budgetary cost and modest efficiency losses such as those resulting from reduced work effort. Second, transfer benefits have helped the poor but have not enabled them to move into the labor market and earn their own way. Third, economic prosperity and poverty reduction go hand-in-hand. The record tells us, however, that economic disparities based on race, gender, and household headship have remained obstinately difficult to reduce. And short-term, nonintensive interventions such as brief training courses, counseling, or placement services have not significantly improved work effort or earnings. Finally, the poor as well as the nonpoor respond to incentive effects of transfers.

In a list of recommendations for reorienting antipoverty policy, the authors urged that benefits not be reduced for those unable to work (the elderly, the disabled); that a national minimum AFDC benefit be introduced; that employment programs be implemented for recipients able to work; that the earned income tax credit for low-income workers with children be expanded and indexed for inflation; that the current system for awarding and enforcing child support payments be reformed; and that the poor be aided more through changes in the personal income tax so as to minimize the need for welfare.

Poverty and welfare

Ellwood and Summers responded to recent charges that programs intended to reduce the numbers of the poor have actually made the situation worse over time, since the incidence of poverty is higher today than in the early 1970s despite large and increasing social expenditures.[4]

They first reviewed trends in poverty, antipoverty spending, and economic performance. After describing the divergent trends for two groups—the elderly, whose poverty rate has steadily declined for the past twenty-five years, and the nonelderly, whose rate fluctuated in the 1970s and then rose sharply from 1979 to 1983—the authors pointed to the close connection between the trend in median family income and the poverty rate among those of working age. Those two series run virtually parallel from 1959 to 1981: as median family income rose, the incidence of nonelderly poverty fell, and vice versa. That pattern suggests that change in median family income is the dominant determinant of the fortunes of the poor, which in turn suggests that various factors such as changes in the state of the economy, or the work of wives, or the composition of households are the primary tools to reduce poverty.

That the economy has weakened over past years is demonstrated by the fact that median family income in 1980 was no higher than in 1969. Should the flatness of that trend be attributed to mistaken welfare policies? It would be "absurd" to do so, Ellwood and Summers asserted, since other indicators that are largely immune to the effects of social spending—the market valuation of physical capital, for example—show a similar trend. Clearly, the worsening condition of the poor is one part of poor economic performance, whose causes have been discussed, but not agreed upon, by analysts.

Spending on social welfare nevertheless mushroomed after 1960 (see Table 2), and a major question is why more people were not pushed over the poverty line as a result. Ellwood and Summers's answer was that the bulk of social spending has been targeted on the elderly, not on the nonelderly poor. In 1982, cash assistance programs for the nonelderly amounted to less than 1 percent of GNP and less than 2 percent of the federal budget. In sharp contrast with social insurance outlays, which are not means tested, levels of cash aid for the poor rose very little in the 1970s. Over that entire decade, annual cash expenditures (in 1980 dollars) for a nonelderly poor person rose by a total amount of only $93. In-kind benefits increased much more, and although those programs certainly improve the well-being of the poor, they do not affect the official poverty rate.

Disability, single parenthood, and jobless youth

Have government programs actually aggravated the problem of poverty, as sometimes alleged, by breaking up families and discouraging work effort? Ellwood and Summers examined three groups commonly cited as adversely affected by existing policies: the disabled, members of single-parent families, and black youth.

Table 2

Costs of Major Income Transfer Programs for the Elderly, the Totally Disabled, and All Others, 1960–80
(Billions of 1980 dollars)

	1960	1970	1980
Programs for the Elderly			
Cash social insurance[a]	$38.9	$82.6	$149.0
Cash public assistance[b]	4.5	4.0	2.7
In-kind transfers[c]	0.1	21.6	40.8
Programs for the Totally Disabled			
Cash social insurance[d]	1.6	6.5	15.4
Cash public assistance[e]	0.7	2.1	5.0
In-kind transfers[f]	0.0	2.2	11.5
Programs for Others			
Cash social insurance[g]	12.0	15.8	32.5
Cash public assistance[h]	5.7	11.6	13.9
In-kind transfers[i]	0.4	5.8	20.8

Source: Adapted from David T. Ellwood and Lawrence H. Summers, "Poverty in America: Is Welfare the Answer or the Problem?" Institute for Research on Poverty, Conference Paper, revised March 1985, Table 1. Most of the data are from *Social Security Bulletin, Annual Statistical Supplement, 1982*, and *Statistical Abstract of the United States, 1978, 1984*.

[a]Social security retirement (Old Age and Survivors Insurance), railroad retirement, and public employee retirement benefits.
[b]In 1960 and 1970, the Old Age Assistance programs administered by the states; in 1980, the benefits-to-aged component of Supplemental Security Income. The smaller figure for 1980 reflects the dramatic increases in social insurance benefits during the 1970s.
[c]In 1960, housing assistance (estimated); in 1970 and 1980, housing assistance (estimated), Medicare, Medicaid, and food stamps.
[d]Social Security Disability Insurance (enacted 1956).
[e]In 1960 and 1970, the Aid to the Disabled programs administered by the states; in 1980, the disability component of Supplemental Security Income.
[f]In 1970, Medicaid only; in 1980, Medicaid plus Medicare (extended to the disabled in 1974).
[g]Unemployment Insurance and Workers' Compensation.
[h]Aid to Families with Dependent Children and General Assistance.
[i]In 1960, housing assistance (estimated); in 1970 and 1980, housing assistance (estimated), Medicaid, and food stamps.

They concluded that the Social Security Disability Insurance program cannot be held responsible for the decline in recent years of the labor force participation of men. As evidence they cited the subsequent earnings pattern of those who applied to the program but were denied benefits—a group which, on average, should be considerably more employable than those who were accepted. Surveys show that rejected applicants performed very little work thereafter. "The lesson appears to be that the disability programs are one example where a carefully targeted program can give generous benefits without generating large adverse incentive effects" (p. 23).

Aid to Families with Dependent Children (AFDC) has been accused of causing marital disruption and instilling economic dependency among recipients. Ellwood and Summers compared the percentage of children living in female-headed

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households with the percentage of children living in AFDC households. If welfare payments have encouraged mothers to separate from their husbands or to forego marriage, both percentages should rise. Yet, since 1972 the proportion of children in AFDC families has held steady at about 12 percent, while the proportion of children living with a single mother has risen from 14 to 20 percent. The number of black children in AFDC families actually went down 5 percent from 1972 to 1980.

Another test of the AFDC marital-disruption thesis lies in a comparison of the benefit levels across states—which vary greatly—with corresponding divorce rates, birth rates to unmarried women, and percentages of children in single-parent households. If welfare is a causal agent, the rates in each state should vary according to benefits available there. But the authors found no obvious correlation on any of those dimensions, reinforcing their conclusion that AFDC is not a major determinant of changes in family structure.[5] Nor can it be charged with keeping women out of the work force, since a number of recent studies have shown that women who were working and receiving welfare benefits did not quit work and return to the rolls when the 1981 welfare reforms terminated them from the program.[6]

Concern over long-term dependency on AFDC is justified in the case of a small portion of women: earlier research by Ellwood and Mary Jo Bane (another conference participant) showed that about 15 percent of AFDC recipients remain in the program for eight or more years. Most, however, use the program as a short-term stopgap; more than 50 percent leave the rolls within two years.[7]

The authors' review of black youth unemployment found the problem grave and the policy options unclear. Other papers, particularly that of William Julius Wilson and Kathryn Neckerman in Session 2, also focused on that problem. Despite civil rights legislation and the increasing convergence of educational patterns of blacks and whites over the past thirty years, the gap in unemployment rates of black and white youth has been growing wider. Whereas the rate remained fairly stable for whites, in the range of 10 to 15 percent from 1954 to 1980, it rose in that period from 16 to 36 percent for blacks. Have social welfare programs significantly affected this trend? Apparently not, according to Ellwood and Summers, who found that the black-white differentials were similar regardless of geographic location, family type (one- versus two-parent), or income group. And in any case, single men are eligible for few welfare benefits (generally only food stamps).

Recommendations

The authors drew three main conclusions: growth in economic productivity is a powerful tool for raising the incomes of the poor; government transfer policies do not seem responsible for most of the problems of the disadvantaged; and those problems vary to such a degree among the three groups that our present categorical approach to public assistance should remain in force. Current welfare policy emphasizes aid to those least able to help themselves—the disabled and single-parent families. Ellwood and Summers, like Danziger, Haveman, and Plotnick, urged that AFDC benefit levels be raised to keep pace with inflation and that wide regional variation in those levels be smoothed out. For unemployed youth, they emphasized the lack of clear solutions. The negative income tax experiments demonstrated that increased welfare benefits for this age group lowered work effort. Targeted employment programs, the subject of a subsequent paper (in Session 4), may be of benefit, but are currently very limited.

Critique and commentary

Among the discussants, Morton Paglin criticized Ellwood and Summers for using the official measure of poverty, which overstates poverty because it excludes in-kind benefits and does not adjust for household underreporting of income. (In recognition of this problem, the Census Bureau has begun to release poverty estimates that value government transfers in kind.) Paglin thought that Ellwood and Summers's demonstration of a close correspondence between median family income and poverty rates would break down if one used a more comprehensive measure of poverty. He was critical of Danziger and his coauthors for having erred in the other direction; namely, overstating the antipoverty effectiveness of government transfers. Their estimates were based on the concept of pretransfer poverty, which assumes that transfers do not reduce work effort or savings or influence living arrangements.

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Edited by Elizabeth Evanson and E. Uhr. Written by Elizabeth Evanson.

The views expressed in the papers described in this issue are not necessarily those of the U.S. Department of Health and Human Services, which provided funds for the conference.

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Kenneth Clarkson commented on the problems of charting trends over time in view of changing concepts and definitions in the official and unofficial statistics, the varying dates for sources of information that impede construction of consistent time series, and the use of potentially misleading aggregations over time, such as failing to take into account the declining size of households when analyzing trends in their poverty incidence and distribution.

Timothy Smeeding pointed out that since 1981 the incidence of nonelderly poverty has increased despite continued growth in the median income, a pattern that contrasts with the one described (accurately) by Ellwood and Summers for the pre-1981 period. The reason for the change is increased inequality in the income distribution. In both papers, Smeeding found a common theme: that the current system of income support for the poor is not as defective or pernicious as has sometimes been charged. Both sets of authors concluded that transfers reduce poverty, with a modest cost in efficiency loss. In examining subgroups among the poor, however, neither paper made the indirect, but in Smeeding's view highly important, link between the poverty that afflicts families headed by single mothers and the deficient labor market performance of the fathers of their children. Those families, and that link, formed the subject of the next set of papers.■

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[1] Percentages from Table A.2, p. 350, in *The Reagan Record: An Assessment of America's Domestic Priorities*, ed. John L. Palmer and Isabel V. Sawhill (Cambridge, Mass.: Ballinger, 1984).

[2] The authors noted that their measures of pretransfer and prewelfare poverty overstate the extent to which private incomes fail to keep people out of poverty insofar as transfers induce labor-supply reductions; income in the absence of transfers may therefore exceed measured pretransfer income. Nevertheless, both series can be considered reasonable indicators of pretransfer trends.

[3] See Irwin Garfinkel and Elizabeth Uhr, "A New Approach to Child Support," *The Public Interest*, 75 (1984), 111–22. Available as IRP Reprint no. 488.

[4] These charges are articulated by Charles Murray in *Losing Ground: American Social Policy, 1950–1980* (New York: Basic Books, 1984).

[5] In another study, Ellwood and Mary Jo Bane performed other comparisons, examining changes in benefits across states over time and comparing patterns of divorce and childbearing among groups likely to collect AFDC with groups who were not. They found few effects of AFDC on family structure. See Ellwood and Bane, "The Impact of AFDC on Family Structure and Living Arrangements," report prepared for the U.S. Department of Health and Human Services under Grant 92A-82, Harvard University, 1984.

[6] See "Measuring the Effects of the Reagan Welfare Changes on the Work Effort and Well-Being of Single Parents," *Focus* 8:1, pp. 1–8.

[7] "The Dynamics of Dependence: The Routes to Self-Sufficiency," report prepared for the U.S. Department of Health and Human Services, Harvard University, 1983.

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Session 2: Family background, family structure, and poverty

The problem of poverty requires attention to employment, wages, and the development of skills necessary for productive participation in the labor force rather than hand-wringing about the decline of the family.

Mary Jo Bane

The available evidence justifies renewed scholarly and public policy attention to the connection between the disintegration of poor families and black male prospects for stable employment.

William Julius Wilson and Kathryn Neckerman

Women and children in poverty are the source of increasing national concern as the number of families headed by single mothers continues to grow. The papers in this session explored the implications of that growth, each emphasizing the causal significance of labor market factors.

Households and poverty

Mary Jo Bane examined the extent to which increases in poverty rates can be attributed to the changes in family structure resulting from increased marital breakup, more births to unmarried women, and independent living by elderly women, all leading to a shift toward households headed by women.

Census data (see Table 3) underscore the fact that female-headed households and persons living independently are disproportionately represented among the poor. In 1979, three-fourths of the American population lived in families headed by men, but only 40 percent of the poor did so. About 37 percent of those below the poverty line lived in families headed by women, and elderly and nonelderly women living alone constituted another 15 percent of the poor. These households of single women and single mothers thus represent over half of the total poverty population.

Moreover, the composition of the population over the past twenty years has shifted toward these household types at high risk of poverty. While the proportion of married-couple families, a group with relatively low poverty rates, has declined, the share of single-mother families and individuals living alone almost doubled from 1959 to 1979. Household composition among blacks has changed more rapidly than among whites. The proportion of blacks living in families headed by women rose from 19 percent in 1959 to 37 percent in 1983; the comparable increase for whites was from 7 to 10 percent. These and other racial differences were a major point emphasized in both papers in this session of the conference.

To what extent has this change in household structure accounted for increases in poverty in the United States? To provide one answer, Bane used a counterfactual: if the household composition of the population had remained as it was in 1959, and the 1979 poverty rates by household type had prevailed, the overall poverty rate in the latter year would have been 9.7 rather than 11.6 percent (a decline of 16 percent).

Single parenthood: Cause or accompaniment of poverty?

But what if the people who lived in poor female-headed families in 1979 would have been poor even if they had lived in husband-wife families? If that were true, then the poor over the years have merely been "reshuffled" into different household populations. In other words, one cannot conclude from the data cited above that poverty is *caused* by the formation of female-headed households. For an accurate interpretation, we need information on individuals as they move from one family or household structure to another. Bane therefore analyzed longitudinal data drawn from the Michigan Panel Study of Income Dynamics. Examining the income status of individuals who moved into female-headed and single-person households, she found that the majority of whites and about half of the blacks who made that transition were not poor in the year after they did so, and most of those not poor afterward had not been poor in the year preceding the transition.

Among those who were poor in the first year after the transition, the pattern was quite different for whites and blacks. Three-quarters of the whites became poor when that transition took place; but two-thirds of the blacks were already poor when they made the transition. The author drew the following conclusion:

> Though there has been a dramatic, and shocking, increase in female-headed households among blacks, and an equally dramatic "feminization" of black poverty, one cannot conclude that much of the poverty could have been avoided had families only stayed together. The serious problems in the black community appear to be interwined, as Wilson and Neckerman [the authors of the next paper] point out, rather than stemming primarily from family breakups (p. 39).

Poverty and family structure

William Julius Wilson and Kathryn Neckerman began with data from the 1940 Census, the first to provide detailed information on family structure. Although families headed by single women were then more prevalent among blacks than among whites, most black households with children were headed by men. Even in urban areas, three-quarters of black families were married-couple households. And most

Table 3

Household Composition of the Population and of the Poor, by Race, 1979

	All Races		Whites		Blacks	
	Total Population	Poor Population	Total Population	Poor Population	Total Population	Poor Population
In families headed by men	75.9%	41.2%	78.9%	47.8%	52.8%	24.8%
Children	23.2	17.0	23.5	19.3	18.1	10.7
Nonelderly adults	46.2	19.7	48.5	23.2	30.7	11.3
Elderly	6.	4.5	6.9	5.3	4.0	2.8
In families headed by women	12.3	36.5	9.1	25.8	35.0	60.6
Children	5.3	21.9	3.6	15.5	17.9	36.1
Nonelderly adults	6.1	13.7	4.7	9.6	15.7	23.1
Elderly	0.9	0.9	0.8	0.7	1.4	1.4
Nonelderly adults living alone	8.3	13.4	8.1	15.2	9.7	9.6
Men	4.5	6.0	4.4	6.6	5.7	4.7
Women	3.8	7.4	3.7	8.6	4.0	4.9
Elderly persons living alone	3.6	9.0	3.8	11.1	2.6	5.0
Men	0.8	1.7	0.8	1.5	0.8	1.2
Women	2.8	7.3	3.0	9.2	1.8	3.8
Total[b]	100%	100%	100%	100%	100%	100%

Source: Mary Jo Bane, "Household Composition and Poverty: Which Comes First?" Institute for Research on Poverty, Conference Paper, revised January 1985, Table 1. Data from U.S. Bureau of the Census, *Current Population Reports*, P-60, No. 130, "Characteristics of the Populations below the Poverty Level: 1979" (Washington, D.C.: U.S. GPO, 1981).

[a]Defined by household income after receipt of cash transfers.
[b]Columns do not always sum to 100 percent owing to rounding.

single mothers, black or white, were widows. The next forty years transformed that picture. In 1983, 42 percent of black families were headed by women; the comparable figure for whites was 12 percent.

Wilson and Neckerman examined changes in fertility, out-of-wedlock births, and the age structure of the population. Over the last 30 years the ratio of out-of-wedlock births to all births has risen dramatically, especially among blacks, yet fertility rates, even among teenagers, have fallen. The explanation for this apparent contradiction is that fertility rates among married women, and the percentage of women married and living with their husbands, have both declined significantly, owing to increases in separation and divorces and in the percentage of women who never marry.

Linked with these trends is the changing age structure. The baby boom resulted in a rising proportion, within the total population, of women in the age group 15 to 24, producing a larger fraction of births among young women and inflating the proportion of all births outside marriage. Blacks are more likely than whites to delay first marriage; if married and divorced, they are less likely to remarry. The net result of all these trends was that the decade 1970–80 saw a 41 percent increase in the number of black children growing up in fatherless families.

Whatever their marital history, single women with children are now far more likely than married-couple families to be poor, as Bane's paper demonstrated, and to be poor for longer periods of time. Being a solo mother is closely connected to poverty and dependency. Wilson and Neckerman examined the same question asked by Ellwood and Summers: Are welfare policies to blame for the dependency of those families? They reached the same conclusion: that welfare policies cannot be held responsible either for the decline of intact families or for the rise of illegitimate births among the poor—welfare benefits have fallen, while illegitimacy ratios have risen. What the authors did find, however, was a strong association with the jobless rate among black men.

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The "marriageable pool"

The authors emphasized the point that "black women, especially young black women, are facing a shrinking pool of 'marriageable' (that is, economically stable) men" (p. 32). In 1940 the labor force participation rate was somewhat higher among black men than among white men (83.7 vs. 82.5 percent), as it had been historically; by 1980 it had fallen to 66.7 percent for blacks and 76.1 for whites. This overall decline masks much sharper differences among younger groups. White men of prime working age, 25 to 54, experienced either no decline or an increase in work activity over those years, but the rates for comparable black men descended steadily. Among male teenagers aged 16–19, the labor force participation of whites rose from 46.4 to 55.5 percent between 1940 and 1980, while for blacks it fell from 59.5 to 36.5 percent. Although the occupational status of employed black men has increased, the percentage of white collar workers among them having increased from 5 to 27 percent over the years 1940 to 1983, the fraction of black men who are employed has dropped from 4 out of 5 in 1930 to only 1 out of 2 in 1983.

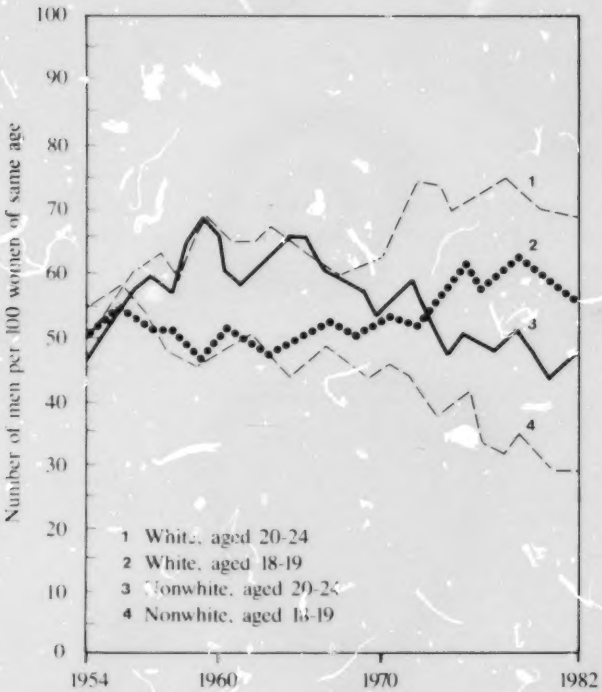

Figure 1. The "Marriageable Pool": Employed Young Civilian Men per 100 Women of Same Age and Race, 1954–82

Source: William Julius Wilson and Kathryn Neckerman, "Poverty and Family Structure: The Widening Gap between Evidence and Public Policy Issues," Institute for Research on Poverty, Conference Paper, revised February 1985, Figures 3 and 4. Data on men are from publications of the Bureau of Labor Statistics (*Handbook of Labor Statistics*, 1980, and *Employment and Earnings*, January 1984); on women, from publications of the Bureau of the Census (*Current Population Reports*, Series P-25, "Estimates of the Population of the United States by Age, Sex, and Race," 1965, 1978, 1983).

Wilson and Neckerman constructed an index of the ratio of employed civilian men to women of the same race and age group, which they term an index of the "male marriageable pool." Among blacks aged 18 to 24, that pool has decreased in size since the 1960s; among white men of the same age, however, it grew (see Figure 1). For men aged 25 to 54 it shrank for both races, but more so among blacks.

In combination, these economic indicators tell us that fewer black men, especially young black men, are in a position to support a family, and it therefore does not seem surprising that black women are more likely than their white counterparts to delay marriage and are less likely to remarry.

Whereas the relationship between the levels of welfare benefits and the number of AFDC cases has not held steady over the years, Wilson and Neckerman find a continuing positive relationship between black male joblessness and welfare dependency of women. Their own evidence and that of others cited in the paper led the authors to conclude that there is "a compelling case for once again placing the problem of black joblessness as a top priority item in public policy agendas designed to enhance the status of families" (p. 34).

Remarks of the discussants

June O'Neill suggested that one factor behind the increasing number of black single mothers might be the rising earnings ratio of black women to black men. She also stressed the need to probe more deeply into the causes of black male unemployment, especially in the context of schooling deficiencies and other human capital factors.

Lee Rainwater pointed out that the two papers covered different ground but conveyed a similar message: both found an important difference between blacks and whites in the dynamics of the growing numbers of single-mother families. Bane's research indicates that the poverty of white women who head their own households seems to reflect individual choices about willingness to go it alone, at least temporarily. Wilson and Neckerman emphasized the fact that 70 percent of white female-headed households are not poor, and in any case a majority of whites remarry, a major route out of poverty. "Among blacks," Rainwater stated, "the feminization of poverty must be understood as a product of the deepening destructiveness of class and racist forces, particularly as they have had the effect of further marginalizing black youth in both school and labor market."■

Session 3: Social services, civil rights, and poverty

The earlier concern was primarily on getting blacks into the labor market, not on the welfare rolls. To the extent that this central concern waned—or at least became less prominent—[the result] has been detrimental.

Charles Hamilton and Dona Hamilton

The placement of calls for [welfare] reform in equity terms was translated into more conservative reforms that successfully coopted the movement.

Michael Sosin

The grave economic situation of black families described by the preceding papers leads to the question of what has happened to "the quest for economic opportunity, the enduring theme of the black civil rights movement" and subject of the Hamilton paper, as described by Peter Eisinger, its discussant. At an evening round-table session Lester Thurow reminded conference participants that the War on Poverty was born amid civil disorders that threatened to tear American society apart. We have since learned that our society has a greater stability than we had feared, he stated. Yet the forces of racism and discrimination apparently continue to erode the condition of minorities. To what extent have these forces been contained or redirected by the civil rights, welfare rights, and legal rights movements of past years? The papers in this session separately addressed those issues, one by gauging the influence of black civil rights organizations on social policies, the other by assessing the effect of the legal rights movement on the evolution of our welfare system.

Jobs versus relief

The thesis of the paper by Charles and Dona Hamilton is that although employment and job security have long dominated the social policy agenda of black activist groups, those organizations have been able to obtain political support from the larger society only when the white majority has been concerned for its own jobs, as in the crisis of the Great Depression. When the market economy is functioning reasonably well, racial minorities lack the allies needed for concerted government intervention to create and maintain employment for those who fail to benefit from prosperity. Thus when a new effort on behalf of the poor was launched in the 1960s, the policymaking community concentrated on training and supportive services rather than direct job creation. Black activists then were engrossed with other campaigns, such as the struggle for voting rights, and looked on service provision without guaranteed employment as inadequate.

Relief and income security programs, on the other hand, have traditionally had low priority among black civil rights groups. "Black organizations fifty years ago were more than wary about policies that could conceivably leave too many black Americans reliant on public assistance. This would make them vulnerable to stigmatization and to the vagaries of a charity system that would, at best, only reluctantly provide a minimum of security to the recipients" (p. 52). Black activists were therefore absent from the planning tables in the early stages of the War on Poverty, and in effect fell between two stools, losing their influence in either employment creation or social assistance programs. They concentrated on gaining maximum feasible participation to achieve political empowerment, but lost the battle for income security.

Another theme of the paper is that black civil rights and welfare rights groups have consistently favored the authority and responsibility of the national government rather than state and local governments for social policy formulation and implementation. They have regarded the effort to obtain congressional authorization and funding of programs difficult enough, without adding a struggle with interagency conflict and bureaucratic delays at regional and local levels. Civil rights groups have also traditionally emphasized the principles of nondiscrimination and antisegregation. This insistence on enforcement of constitutional guarantees has tended to bring them into conflict with organized labor over discriminatory practices. The Hamiltons concluded that in the 1980s, black activists find themselves to some extent isolated, having gained for their constituents neither income security nor job guarantees. It is the latter, they felt, that must now be given policy attention.

Civil rights in the 1980s

Peter Eisinger felt that the critical question raised by the Hamiltons' paper concerned the role of the traditional civil rights organizations over the remainder of this decade. Their primary reason for being, discrimination under the law, has all but disappeared, and the organizations seem to be entering a period of political isolation. Eisinger suggested several possible courses of action in the economic sphere. One was to enhance the career advancement of black workers by ensuring, through litigation where warranted, that once in the labor market they should not be held back or laid off for discriminatory reasons. Another was to support expansion of welfare rights—the subject of the following paper—for the benefit of the unemployable. A third was to afford protection to minority workers in the expanding service sector, where they are presently employed in considerable numbers but under poor conditions—nonunionized, ill paid, without fringe benefits. Attention to these economic issues could, Eisinger felt, aid the regeneration of the civil rights movement.

Welfare and legal rights

Michael Sosin's paper analyzed the outcomes of profound alterations in the AFDC system brought about by the legal rights movement.

Until 1960, discretionary administration characterized the dispensation of welfare benefits. Federal rules allowed the states considerable latitude in formulating guidelines for AFDC eligibility, and the states in turn allowed caseworkers latitude in granting eligibility under those guidelines. Many states had "suitable home" provisions that permitted caseworkers to deny benefits if an applicant's lifestyle was found unacceptable. The "man-in-the-house" rule meant that benefits could be terminated if it was learned, even by unannounced visits, that the recipient lived with another adult. And states could require specific periods of residence, some of them lengthy, for eligibility.

The civil rights movement and related political and social events of the 1960s set in motion forces that modified that system. The enrollment of welfare clients increased dramatically: the participation rate among those eligible rose from roughly 30 percent in 1960 to 50 percent in 1967.

After 1967, the year that the National Welfare Rights Organization became active, the legal rights movement took form. Its principle was the right of due process and equal treatment under the law. The movement was reinforced by Supreme Court decisions that in 1968 and 1969 held residency requirements unconstitutional and abolished man-in-the-house rules. Federal and state procedural changes also helped broaden access. Rights advocates urged the poor to seek eligibility and make application, and they helped file appeals in cases of denial or termination. Their position was that welfare should be perceived not as a benefit subject to discretion but as a right, an entitlement under the law. The consequence was an even greater expansion of the caseloads.

Sosin argued that the legal rights revolution produced a bureaucratic reaction that in the end defeated some, though not all, of the goals sought by legal activists. Welfare administrators sought means to handle the increasing volume of applicants and costs of the program. Their solution—the adoption of standardized grants, uniform for families of equal size, and simplified procedures—was speeded by new federal regulations designed to reduce error rates and introduce quality control into program operation. The application form was lengthened and sometimes computerized; the intake function was taken over by clerical employees in place of social workers. Discretion was eliminated, but so was personal attention to the needs of individuals. A rule-bound system appears to be neutral; it is also detached and impersonal. And it may contain hidden biases that actually restrict access.

The standardized grants originally adopted were fairly generous, taking into account the cost of basic needs plus an average amount to cover emergency situations that might arise or special needs that might exist. But inflation eroded the value of the grants, and they were not increased by state legislators, who, constrained by declining resources and taxpayer reaction, began to favor a more restrictive approach. As the system grew subject to rules, the discretionary aspects that permitted activists to press for easy access diminished. The rights revolution faded.

The legacy of the legal rights movement is an AFDC system that Sosin characterizes as partly improved and partly standardized. It is improved in that it is now more difficult arbitrarily to deny benefits. But if discretion has been removed, so has sensitivity to the diversity of needs among clients.

Furthermore, some features of the reformed system may discourage participation of those eligible. Clerical workers may appear less sympathetic than did the professional social workers who handled applications in the past. The intake workers are often pressured by quality control procedures and may deny eligibility rather than risk being found in error, because paying too much is far more closely monitored than is providing too little assistance. The rules themselves require significant efforts from clients to prove their initial and continuing eligibility. Evidence from the late 1970s suggests that introduction of state reforms associated with the quality controls required by the federal government were in fact accompanied by declining participation rates.

Sosin suggested that in the future a new definition of fairness may be forthcoming—one that includes elements of discretion and stresses cooperation rather than an adversarial relationship between citizens and bureaucracy. Another possibility is that social services may be channeled through smaller, more individually responsive units, such as publicly supported private agencies.

A contrasting interpretation

Lawrence Mead, discussant for the Sosin paper, favored a more political and less bureaucratic interpretation of the decline of the legal rights movement. The real cause for the welfare boom of the 1970s was, in his view, the generous political climate that led all social policy in a liberal direction during those years, but which subsequently altered course. The Supreme Court decisions surrounded welfare benefits with the protection of due process, but did not concede that such benefits were a right under the Constitution. When the political atmosphere changed, federal and state governments were thus free to reduce or condition public assistance grants.

Mead viewed the current bureaucratic emphasis upon rules and procedure as an effort to enforce the "social obligations"—work and child support, for example—that had been enforced under the discretionary system but which disappeared from public assistance once discretion was removed. If advocates of the poor wish to make welfare a right, stated Mead, they must also concede obligations; the receipt of a benefit must be reciprocated by a contribution of some form. "To establish further claims, the poor and their advocates must assert new obligations. They should accept, rather than resist, the new bureaucratic requirements, especially work tests."

The issue of work tests introduces a major theme of the conference: work strategies in place of income maintenance to benefit the able-bodied poor. The next session took up that subject.■

Session 4: The labor market and poverty

The poor have good reason to fear the recessions that lie ahead.

Rebecca Blank and Alan Blinder

These findings suggest that employment and training programs have been neither an overwhelming success nor a complete failure.

Laurie Bassi and Orl[illegible]lter

Reductions in work effort in response to incr[illegible]me transfers and the failure of those transfers to promote self-sufficiency have prompted renewed interest in employment as an antipoverty strategy. The two papers presented at this session together summarized much of what is now known concerning the effects that economic fluctuations exert on the poor, and why two decades of government employment and training programs seem to have had little effect in reducing pretransfer poverty

Which is the cruelest tax?

Blank and Blinder investigated the relative effects of inflation, unemployment, and taxation on the status of the poor. Some have claimed that inflation is the "cruelest tax" because it more severely victimizes the poor, whereas others assert that high unemployment rates serve to bring down inflation but force the poor to bear a disproportionate share of joblessness. And while inflation and unemployment continue to fluctuate, our national tax structure has moved toward greater regressivity.

Examination of the relationship between the poverty rate and economic performance clearly shows that when the economy is recovering from a recession, and mean incomes consequently rise, poverty declines; and vice versa. During cyclical upturns, income inequality generally diminishes; the reverse is true during downturns. The poor lose more than the rich in a recession and gain more during upturns.

The business cycle and the poor

The authors' regression analyses identified the effect of unemployment as a much more serious problem than the effect of inflation on low-income households: when unemployment rises by 1 percentage point, the poverty count goes up 1.1 points; yet when inflation rises by 1 percentage point, poverty increases only 0.15 points. Inflation does, however, hurt the wealthy, because it reduces the value of property income as well as of stocks and bonds—forms of wealth more prevalent in the upper reaches of the income distribution than in the lower ones. The rich more than the poor have reason for branding inflation a cruel tax.

More detailed analysis of the relationship between inflation and the incomes of the poor reinforced the conclusion that inflation does not inflict special hardship on that group. The relative earnings of low-wage workers have not fallen with inflation, and most of the larger transfer programs, with the major exception of Aid to Families with Dependent Children, have been indexed to keep pace with the cost of living.

The business cycle is not neutral in spreading the burden of unemployment. The authors demonstrated that minority men suffer larger increases in unemployment than any other group when unemployment rises. Younger workers are also severely affected, but women and older workers are not as sensitive to changes in unemployment levels, probably because they have available other forms of income, such as transfers and the earnings of other family members.

We expect unemployment insurance (UI) to protect workers from the vicissitudes of the economy, yet its benefits are less likely to accrue to low-wage jobholders, who often have an unstable work history. New entrants and reentrants into the job market are not eligible for UI; others do not draw benefits because they quit in anticipation of being fired or remain unemployed after benefits expire. And in any case, recent program changes have reduced the coverage of UI. The proportion of unemployed workers receiving its benefits reached a high of 78 percent in the 1975 recession, but registered only 43 percent in the recession of 1982.

Taxes and the poor

Blank and Blinder explored the changing structure of taxation at the federal, state, and local levels since 1950, and concluded that "where the poor are concerned, the main event in postwar tax history seems to have been the rapid and continuing growth of the payroll tax" (pp. 39–40). As Table 4 shows, in 1955 a family of four with income at the poverty line, filing jointly and claiming the standard deduction, paid 4.9 percent of earned income in federal payroll plus income tax; by 1983 that rate had risen to 16.5 percent, despite enactment of personal income tax cuts under the first Reagan administration. The rise in state and local sales and property taxes has also taken a large bite out of the incomes of the poor.

Effects on inequality

The authors concluded by estimating the influence of the business cycle on poverty rates and income inequality over the decade 1973–83, comparing what would have happened if inflation and unemployment had remained at their 1973 levels with what actually occurred. The results showed that substandard economic performance over those years—particularly unemployment—raised the poverty rate by 4.5 points and reduced the income share of those in the lowest

Table 4

Average Federal Tax Rates on Earned Income

Income Level	1955	1965	1975	1980	1983
At 5,000 1983 dollars					
Personal income[a]	0.0	0.0	−10.0%	−10.0%	−10.0%
Personal income plus payroll	4.5%	7.3%	1.7	2.3	3.4
At poverty line					
Personal income[a]	0.4[b]	2.2	−0.9	−0.7	3.1
Personal income plus payroll	4.9[b]	9.4	10.8	11.6	16.5
At one-half median income					
Personal income[a]	0.0	2.9	3.9	4.3	4.9
Personal income plus payroll	4.5	10.2	15.6	16.6	18.3

Source: Rebecca M. Blank and Alan S. Blinder, "Macroeconomics, Income Distribution, and Poverty," Institute for Research on Poverty, Conference Paper, revised February 1985, Table 12.

[a] For a family of four filing jointly and claiming the standard deduction.
[b] A 1955 "poverty line" was constructed by adjusting the 1959 poverty line for the change in the consumer price index.

fifth of the income distribution by almost 1 percentage point. Both are major effects, as illustrated by the fact that in the entire postwar period the share of the lowest fifth fluctuated only from a high of 5.6 percent (1968) to a low of 4.7 percent (1983), a total change of 0.9, compared to the 0.8 percent drop since 1973.

This paper gave discouraging evidence on the role of government in cushioning the effect of recent economic downturns on those at the low end of the income distribution. Over the last twenty years the government has run employment and training programs that were designed, at least in part, to offset the effects of cyclical unemployment. These programs have waxed and waned, reaching a peak in terms of funding in the late 1970s and then ebbing to the relatively modest effort of the Job Training Partnership Act in the early 1980s. The next paper dealt with the effectiveness of those programs.

Does providing employment and training make a difference?

Laurie Bassi and Orley Ashenfelter reviewed several studies that have attempted to evaluate the effect of employment and training programs on subsequent employment rates and earnings levels of participants. Such studies have been severely hampered by the difficulty of constructing appropriate comparison groups and by the varying estimation strategies utilized in the absence of controlled experimental data. These problems have been reduced to some extent by data bases that have recently become available. Analysts are now enjoying expanded ability to construct comparison groups of various types and to apply new estimation techniques.[1]

Positives and negatives

Some consistent findings have emerged across different studies. First and perhaps foremost, women have benefited more than men in terms of increased earnings gained from program participation. In fact, the programs grouped under the Comprehensive Employment and Training Act (CETA) of the 1970s, which provided both jobs and training, seem to have produced no significant earnings gain for men at all. The main reason for the more favorable results for women seems to be that employment and training programs raise earnings chiefly by means of more hours of work rather than higher wages per hour. Since women in the past generally have worked fewer hours than men, when they extend their work time they show a marked increase in earnings relative to their male counterparts.

Individuals who benefited most from CETA often were those who had the least prior work experience. This finding suggests that the program was good at preparing candidates for entry-level positions, benefiting women and young men but not necessarily older men, who needed to improve their occupational position, not enter it. For example, one study showed that the only male group to experience substantial postprogram employment and earnings gains consisted of young men.[2]

Another consistent finding from CETA studies is that work experience programs, reserved for the most disadvantaged and consisting mainly of acclimation to the "world of work"—showing up on time, dressing appropriately, etc.—instead of specific training or specialized job experience, was the least effective method of improving employment prospects and earnings.

The severity of employment problems among youth—especially among blacks—has directed attention to the programs designed specifically for them, notably the Job Corps, which has been continuously in operation since 1965. Studies of it have found strong effects in increased employment and earnings, reduced welfare dependence, lower unemployment and criminal activity, and fewer out-of-wedlock births. Emerging results from the Youth Employment and Demonstration Act of 1977 also indicate the benefits of some interventions for youth.

A strategy that involves the private sector is the Targeted Jobs Tax Credit, which offers companies a tax break for employing certain disadvantaged workers. But the program has been little used. A recent experiment in Dayton, Ohio, provided some welfare recipients with vouchers that explained their potential employers' eligibility for a tax credit—or, in a variant to test whether fear of a tax audit was the deterrent, a cash payment. The results showed that vouchered workers, offering either a tax credit or a cash payment, evidently were not considered good prospects for employment, and their welfare identification constituted a form of stigma.

Costs and benefits

Even at their height, employment and training programs did not cover a very large number of disadvantaged workers. Those who did participate received fairly intensive treatment, yet even so, the programs seem to have made little dent in the problems of unemployment and poverty among those able to work. That being the case, do they represent a worthwhile investment?

Though it is difficult to generate reliable cost-benefit ratios, that performed for the Job Corps is among the most thorough. Expensive as it is, the Corps seems almost to pay for itself, returning 96 cents on every taxpayer's dollar invested, if returns are defined as output during program participation, increased tax payments on postprogram income, reduced transfer payments, less criminal activity, and reduced use of other federally provided services. For the more traditional and less comprehensive types of programs, such as those under CETA, the evidence suggests that training programs are a more cost-effective method of raising participants' earning power than are employment programs.

In sum, there is no simple solution to the problems of the hard-to-employ, and with some exceptions the level of attention and resources devoted to a program has never been more than modest in relation to the size of the target population.

Discussion of labor market factors

In his comments, Peter Gottschalk focused on the role of macroeconomic events in reducing poverty. He argued that care should be exercised in interpreting the results presented by Blank and Blinder. The authors emphasized that their study showed only that improved cyclical conditions reduced poverty; those results should not be extrapolated to the effect of general economic growth on poverty, since secular growth can be accompanied by increasing income inequality—as happened in America during the nineteenth century, whereas the reverse was true in the first half of the twentieth century. Gottschalk pointed out that it is the particular source of long-term economic growth that is crucial. For example, a rise in the demand for capital that raises the demand for high-skilled labor more than for low-skilled workers may not benefit the poor unless other factors are strong enough to offset those shifts in demand.

Responding to the paper by Blank and Blinder, Joseph Antos made the point that their use of aggregate data masked the differential effects of unemployment and inflation among various groups of the poor. Female-headed families and the elderly are less affected by the business cycle than are other members of the poverty population, since they have weaker attachments to the labor market. On the other hand, the elderly are relatively insulated from inflationary effects because social security benefits are indexed, whereas inflation has substantially reduced the living standard of single mothers on welfare by diminishing the real value of their unindexed benefits. Since inflation and unemployment affect different groups of the poor in different ways, Antos argued that it is misleading to identify unemployment as the "cruelest tax."

Antos stressed the need to evaluate employment and training programs not simply in terms of participants' later earnings, but by asking what that outcome costs the taxpayer. Does the benefit outweigh the cost? And is there a more cost-effective way of achieving the same ends? Moreover, some evaluations are still seriously flawed by selection bias and inadequate control groups. It is imperative, he felt, to include in any future programs an integral evaluative mechanism.■

Among the studies summarized were Westat, Inc., "The Net Earnings Impact of the Public Employment Program (PEP)," report prepared for the Office of Program Evaluation, Rockville, Md., 1979; Laurie Bassi, "The Effect of CETA on the Postprogram Earnings of Participants," *Journal of Human Resources, 18* (1983), 539–56; Bassi, L. Burbridge, M. Simms, and C. Betsey, "Measuring the Effect of CETA on Youth and the Disadvantaged," Final Report, The Urban Institute, Washington, D.C., 1984; Charles Mallar, S. Kerachsky, Craig Thornton, M. Donihue, T. Jones, D. Long, E. Noggoh, and J. Shore, "The Lasting Impact of Job Corps Participation," Final Report, Mathematica Policy Research, Inc., Princeton, N.J., 1980; and Robert Taggart, *A Fisherman's Guide: An Assessment of Training and Remediation Strategies* (Kalamazoo, Mich.: Upjohn Institute for Employment Research, 1981).

T. Fraker, R. Maynard, and Z. Nelson, "An Assessment of Alternative Comparison Group Methodologies for Evaluating Employment and Training Programs," Final Report, Mathematica Policy Research, Inc., Princeton, N.J.

Session 5: Health, education, and poverty

To serve the uninsured, America does not need any more doctors or any more hospitals; it needs policies to reallocate their services.

Paul Starr

We know enough, I would hazard, to suggest that greater resources would be most usefully spent in preschools and elementary schools.

Nathan Glazer

Providing health care for the poor

Paul Starr emphasized the fact that health programs have improved the health status of the poor and have expanded their access to medical care, gains which have been achieved at substantial budgetary cost. The problems that remain include the lack of health insurance coverage for many of the poor and the recent narrowing of access for those who receive some services.

Historical legacies

Starr began by describing four "encumbrances of history" that have shaped delivery of health care in America. One he termed the "welfare piggyback," referring to the channeling of governmental health services for the poor through public assistance rather than through a universal social insurance system or a national public health service, the two systems employed in Europe. The social insurance programs initiated during the New Deal offered income replacement for the unemployed and the elderly, not health care. Concern over the medical needs of the aged led to passage in 1965 of Medicare, an insurance program for those over 65. Its companion program, Medicaid, was set up as a form of public assistance offering medical services only to certain "deserving" groups: the blind and disabled, the aged not covered by Medicare, and AFDC recipients. Left out were two-parent families and single adults who were neither aged nor disabled, regardless of how poor they were. In consequence,

> Medicare enjoys the political protection created by a span of eligibility that includes the middle class; Medicaid suffers from the political vulnerability created by identification with welfare and the poor. The hospital benefits of Medicare are additionally protected by the fact that its financing comes from an earmarked payroll tax, which cannot be tapped for other purposes, whereas Medicaid must compete for general revenues—at not only the federal but also the state level (p. 17).

Another burden of the past is the legacy of political accommodation, stemming from the fashion in which Medicaid and Medicare were shaped by legislative and political deference to the health care industry. This "policy of appeasement" meant expenditures were rarely monitored or limited, and their enormous growth has now prompted structural changes in health care financing that may reduce access of the poor to services, as we will see below.

The third encumbrance consists of fiscal asymmetry in federal financing of health care, exemplified by the fact that federal tax subsidies for employee benefit plans are much higher than federal direct expenditures on Medicaid (the tax subsidies are, moreover, regressive: the higher the employee's income, the higher the subsidy). The fourth concerns adverse public perceptions of welfare recipients, such as the popular view that most Medicaid beneficiaries are members of black welfare families of working age when in fact two-thirds of those expenditures support the aged and disabled, many of whom are in nursing homes.

The record of public programs

Antipoverty programs of the 1960s brought health care within reach of the disadvantaged either by providing services directly, usually through community health centers, or by subsidizing such services, primarily through Medicaid. The number of neighborhood health centers grew slowly. Although 1,000 were projected under the plan of 1967, the maximum reached was 800, serving over 4 million with staff assistance from the National Health Service Corps, during the Carter administration. Studies show that the centers have significantly improved the health of their community members, and have done so at lower per-patient cost than Medicaid.[1] Yet their success has gone relatively unnoticed, and their current funding status is uncertain.

Medicaid became the main channel for federal and state funds, and expenditures on it grew steadily from $2.5 billion in 1967 to $9 billion in 1973 to about $30 billion in 1982. In recent years Medicaid expenditures have shifted toward hospitals and nursing homes, and away from primary and preventive care. The Omnibus Budget Reconciliation Act of 1981 withdrew Medicaid's protection from about one million people, chiefly as a result of reduced public assistance for the working poor. The ratio of Medicaid beneficiaries to the poverty population as a whole fell to .45 in 1982, down from .53 in 1979 and .59 in 1970.

One measure of the programs' effect on access is the extent to which portions of the population remain uninsured, a calculation made difficult in the past owing to the lack of consistent time-series data. Since 1979 the March Current Population Survey, conducted by the Census Bureau, has asked a question from which we have learned that the number of those under 65 who lack any form of health insurance rose 15 percent over the period 1979–82. Of those without insurance, one-third had incomes below the poverty line while another third had incomes between 100 and 200 percent of the line. Furthermore, underlining the point made by

Blank and Blinder concerning the harm suffered by the poor during a recession, many primary earners lost health insurance when they became jobless during the recent economic downturn, whereas in earlier recessionary periods secondary workers were those more likely to become unemployed and remained protected by a primary worker's health benefit.

Assessing changes in health of the poor

Since 1965 public expenditures on health care have mushroomed, and the question is what effect they have had on the population in general and the poor in particular. The gloomy conclusion of studies in the mid-1970s was that even though differences in access to health care by the poor and nonpoor had considerably narrowed, greater spending on health had not improved it. Ten years later, the data seem to indicate the reverse: recent studies reveal serious inequities in access, but indicators of health status show marked improvement. Life expectancy, which remained unchanged in the decade preceding 1965, began to increase in 1968 and by 1980 had lengthened by four years. Mortality rates fell 20 percent over that period and infant mortality rates were cut in half (although recent data indicate that their decline has slowed dramatically).

Because we lack good information linking health and income, we cannot evaluate with precision the relative experience of the poor, but the fact that black infant mortality rates have declined considerably may serve as at least one proxy measure, supporting optimism concerning gains in the physical well-being of the poor. Studies of neighborhood health centers contribute to that optimism by demonstrating the effectiveness of their medical care.

Prospects in the 1980s

Retrenchment and cost containment are the current watchwords and, according to Starr, structural changes in the health care industry do not bode well for the poor. Competition among hospitals has increased, and those facing the greatest financial stress have more Medicaid patients and fewer patients with private health insurance. Starr speculated that such hospitals might try to reduce services for the poor—by making them feel unwelcome, by closing the emergency rooms that lead the poor into hospitals, by sending the poor who seek admission to a public hospital, if one exists in the same locality. There is in fact anecdotal evidence that these strategies are being pursued. Moreover, an increasing proportion of hospitals are owned or managed by for-profit companies, and the general ethos of the industry is shifting toward sound business management rather than community service. Combined with cutbacks in public programs, these developments suggest that we cannot sustain the gains of the past.

New payment systems, designed to contain Medicaid and Medicare costs, may also adversely affect delivery of health care to the poor. Federal legislation in 1981 freed states of the obligation to reimburse Medicaid providers on a cost-of-service basis, allowing them to experiment with such other mechanisms as capitation payments—a flat fee per patient, putting the provider at risk for the cost of services rendered.

Lack of insurance protection for the poor is another source of concern; so are reductions in other programs that will have repercussions on health services. For example, termination of assistance to medical students means that the National Health Service Corps may have fewer physicians to place in underserved areas, and the free-care obligations of hospitals constructed with federal support under the Hill-Burton Act are now expiring.

Starr concluded that the answer to these problems was not necessarily to spend more, an unrealistic expectation given today's economic and political climate, but to undertake "a series of measures that chip away at the residual population of the uninsured" (p. 59). He suggested eliminating the categorical restrictions of Medicaid, requiring and subsidizing employers' health insurance coverage for employees who are laid off or fired and/or allowing them to buy into Medicaid and establishing more effective insurance mechanisms for industries in which coverage is low, such as agriculture or retail trade. The costs of these changes need not be met by increasing national expenditures, but by using the savings that are being realized through such changes as health maintenance organizations and by reducing federal tax subsidies of benefit plans. Reallocation of existing services rather than their expansion would help close the gaps in coverage, in Starr's view.

Comment

In discussing Starr's paper, Jack Meyer suggested that even greater emphasis should be given to the affordability of providing for those currently in need, not only by reducing system inefficiencies and rearranging subsidies among the poor but also by correcting the inequities that result from cutting subsidies to the poor while continuing to grant subsidies to business, to wealthy households, and to high-cost doctors. He strongly criticized "the unconscionable discrimination against certain types of poor people," specifically the working poor, stemming from policies of the present administration. That discrimination was not invented by this administration, he stressed, for it has long been a feature of our welfare system, but it has been exacerbated by recent legislation.

The commercialization of health care described by Starr will, Meyer agreed, result in savings that should be devoted to closing the gaps in health care for the poor. Meyer urged installation of an adequate safety net that would utilize these gains to the advantage of those most vulnerable in our society, essentially the same recommendation that Starr made; but Meyer went further by stating that if the cost of the safety net exceeds efficiency gains, the bill should be paid by increasing the taxes of middle- and upper-income groups and/or by cutting benefits that are not really needed.

Education and training: Does anything work?

Like Starr's paper, the presentation by Nathan Glazer served as a corrective to the views of the 1970s that antipoverty programs had little if any effect. Glazer cited new evaluative studies that refute, to some extent, the earlier conclusions that "nothing works"—that despite expensive and intensive efforts to provide compensatory education to disadvantaged students, to give children from poor families a head start in the classroom, and to offer job training to high school dropouts and delinquents, cognitive skills were little improved and the later earnings of program participants were not increased. The current perspective is different, Glazer asserted, in part because new studies show new results, and in part because a policy of redistributing income to the poor is even less favored today as an antipoverty strategy than it was ten years ago. Instead, education appears to retain popular support as a means to reduce poverty.

Early intervention

He selected several analyses that illustrate the swing to more optimistic points of view. One study concerned the preschool programs offered in the 1960s.[2] In terms of the performance of students and their control groups ten years later, the results indicated substantial differences—not in IQ or test scores, but in whether or not the students were held back in grade or assigned to special education classes. Judged by these standards, participants showed improvement over the controls. The results were consistently positive across a variety of programs for children ranging in age from 1 to 5. Modest outcomes, perhaps, but nevertheless suggestive that something works, at least at earlier ages.

Another study dealt with elementary education.[3] Funded by the Department of Education, it compared over a three-year period the performance of poor and disadvantaged students receiving compensatory education services with that of poor children who did not. The compensatory services—small classes, individual instruction from committed teachers—were provided under Title I of the Elementary and Secondary Education Act of 1965 (now Chapter I of the Educational Consolidation and Improvement Act of 1981). The principal finding was that compensation did increase educational achievement. By the time the students reached junior high, however, the positive effects had faded.

These studies and others indicate in Glazer's view that there is merit to intervention at lower grade levels on behalf of disadvantaged children. It is of course easier to make gains in earlier grades, where minimal abilities in reading and mathematics are taught. At the secondary school level, such skills as making inferences, analyzing and interpreting, and solving problems are involved, and the record of educational programs for poor students remains discouraging at this level.

High school and beyond

If more students graduated from high school and if they became more adept in the skills taught in school, the problems of unemployment and low earnings would be much reduced. Glazer joined other conference paper authors in searching for causes of the rise of unemployment among disadvantaged youth. A study conducted by the National Bureau of Economic Research[4] of young black men living in the inner-city areas of Boston, Philadelphia, and Chicago found that their deteriorating employment situation could not be attributed to discrimination, which undeniably exists but is not thought to have increased in recent years, nor to the entry of young women and immigrants into the labor force, nor to the unavailability of jobs in the suburbs, since living in inner-city neighborhoods with easy access to suburban jobs did not increase employment chances among these teenagers. Three factors did improve their probability of holding a job: attending church, staying in school longer, and getting better grades. On the other hand, those who lived in welfare families and in public housing had lower earnings than their counterparts with the same family income and other attributes but who lived in private housing and did not receive public assistance.

For those young people from poor families who are not in school and not employed, Glazer concluded that work training is the public program of next resort. Yet, in his words,

> when it comes to what works in work training for the inadequately educated, the despairing or dulled or drugged or vicious or those frustrated by their own absent but crucially necessary minimal skills, the situation is far more complicated than even the discussion of what works in the education of the children of the poor and of minorities in the lower grades (p. 37).

Evaluations of our training programs, summarized in a recent study, indicate that the "mainstream" institutions of vocational training institutes, secondary schools, and colleges should be utilized in place of special training programs, because they offer incentives and afford credentials recognizable in the labor market.[5] Yet even if we should put into effect what we have learned from these evaluations, Glazer was pessimistic about the long-range results of training efforts. The recent Youth Incentive Entitlement Pilot Project, an ambitious program which succeeded in increasing the earnings of black teenagers, failed to reduce dropout rates or increase high school graduation rates.

His conclusion was that our resources should be directed toward preschools and elementary schools, since the evidence indicates that improvement there is possible. If broadened and sustained, that improvement might enable poor young people to get through high school and to face better job prospects.

A difference of opinion

Christopher Jencks, discussant for the paper and one of the educationists cited by Glazer as having argued in the 1970s that nothing works, took issue with some of Glazer's optimistic conclusions. The more positive tone of evaluations today results primarily, he asserted, from a "revolution of declining expectations" about what compensatory programs should be expected to accomplish. We now ask not that the programs close the gap in academic performance between poor and middle-class children over the long run; we applaud the fact that they have a detectable short-term effect.

The technical changes in studies that have prompted a more favorable opinion of compensatory education include use of larger sample sizes, which are more likely to reveal the underlying positive effects than are small samples; "meta-analysis," or averaging across studies, which shifts analytic emphasis away from testing for significance and toward the absolute magnitude of program effects; and the use of different outcome measures, defining "improvement" as being promoted rather than held back and not being assigned to special education classes.

The positive conclusions of these studies were disputed by Jencks not because he disagreed with their analytic findings, but because most studies show very little long-term effect on cognitive growth. Furthermore, even when poor children do as well in elementary school as their middle-class counterparts, their later life chances remain significantly worse. Jencks also questioned Glazer's conclusion that compensatory education should focus on elementary schools. In the early years students have more than one chance to learn the basic skills of reading and math, since those subjects are repeated from grade to grade. But this is not true of biology or algebra in high school; if the student does not learn it the first time he or she takes the course, the opportunity will probably not occur again short of college, and it is unlikely that this student will enter higher education.

The main recommendation offered by Jencks was that secondary schools should be the focus of efforts to improve our educational system. "The decline in test performance in American secondary schools over the past fifteen years and the increase in dropout rates are, I would argue, byproducts of deliberate decisions"—the decision not to make an effort to teach basic skills in high school and the decision not to impose meaningful penalties for failure to perform assignments or for breaking social rules. Intervention later, as well as earlier, is needed if we are to better the prospects of disadvantaged students.■

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[1]Starr's account of the community health centers drew from H. Jack Geiger, "Community Health Centers: Health Care as an Instrument of Social Change," in *Reforming Medicine: The Lessons of the Last Quarter Century*, ed. V. W. Sidel and R. Sidel (New York: Pantheon, 1984), and Karen Davis and Cathy Shoen, *Health and the War on Poverty: A Ten-Year Appraisal* (Washington, D.C.: Brookings Institution, 1978).

[2]Irving Lazar and Richard Darlington, *Lasting Effects after Preschool*, U.S. Department of Health, Education, and Welfare, Publication No. 79-178 (Washington, D.C.: HEW, 1978).

[3]See Launor F. Carter, "The Sustaining Effects Study of Compensatory and Elementary Education," *Educational Researcher, 13* (1984), 4-13.

[4]The survey results were reviewed by Richard B. Freeman and Harry J. Holzer, "Young Blacks and Jobs—What We Now Know," *The Public interest* (Winter 1985), pp. 18-31.

[5]Robert Taggart, *A Fisherman's Guide: An Assessment of Training and Remediation Strategies* (Kalamazoo, Mich.: Upjohn Institute for Employment Research, 1981).

ASPE–Institute workshop

The third annual workshop sponsored by the Institute and the Assistant Secretary for Planning and Evaluation of the Department of Health and Human Services was held in Madison May 2-3, 1985. The following investigators presented papers on their ongoing research:

- Rebecca M. Blank, Princeton University: "Analyzing the Cyclicality of Incomes"
- Mary E. Corcoran and Paul N. Courant, University of Michigan: "Sex-Role Socialization and Occupational Segregation: An Empirical Investigation"
- David T. Ellwood, Harvard University: "Working Off of Welfare: Policies and Prospects for Self-Sufficiency of Female Family Heads"
- Robert M. Entman, Duke University: "The Public Opinion Impacts of Media Messages"
- Karen C. Holden, IRP, Richard V. Burkhauser, Daniel A. Myers, Vanderbilt University: "The Dynamics of Powerty among the Elderly: Income Transitions at Older Stages of Life"
- Robert M. Hutchens and George Jakubson, Cornell University, Saul Schwartz, Tufts University: "Living Arrangements, Employment, Schooling and Welfare Recipiency of Young Women: A Progress Report"
- Thomas J. Kniesner, University of North Carolina, Marjorie B. McElroy, Duke University, and Steven P. Wilcox, University of North Carolina: "Getting Poor Without a Husband and Getting Out With or Without"
- Edward N. Wolff, New York University: "Social Security, Pensions, and the Wealth Holdings of the Poor"

Session 6: The budgetary and social costs of antipoverty policy

In view of Americans' deep-seated beliefs, there are scant grounds for optimism that the lot of this nation's poor will soon be radically improved.

Gary Burtless

The concept of income poverty is a statistical construction capable of interesting economists and policy analysts, but lacking . . . any political reality that could animate national action.

Hugh Heclo

This session covered the questions that must ultimately be asked: What are the economic limits to social expenditures? How much spending will the political electorate tolerate? What are the public's preferences toward policies for the poor?

The economic constraints

First reviewing trends in public spending on the poor, Gary Burtless noted that the in-kind component of means-tested transfers has steadily risen since 1965, while the cash component has declined. The dollar values of that past and projected spending are shown in Figures 2 and 3. In proportional terms, benefits in kind rose from 1.2 percent of GNP in 1965 to almost 3 percent in the 1980s, whereas cash public assistance declined from 1.1 to 1.0 percent over those same years. Burtless speculated that the lower percentage of cash aid may indicate the willingness of voters to tolerate income poverty in general, whereas the rise in noncash assistance may signal their unwillingness to let specific types of needs go unmet—food, essential medical care, minimal housing. It would appear that the public makes a distinction between deserved and undeserved conditions of poverty, a point covered in political terms by the companion paper in this session.

Burtless's analysis showed that means-tested transfers, both cash and noncash, did indeed reach those they were intended to aid, but their amount was too small to remove many recipients from poverty. Instead, it is those who receive both welfare *and* non-means-tested benefits—social insurance payments—who are most often boosted over the poverty threshold.

Social insurance programs account for a larger share of GNP, having risen from 3.3 percent in 1966 to 7.8 percent in 1983 (see Figure 4). None were specifically designed to eliminate poverty, since their goal is to protect workers and their dependents against earnings losses from retirement, death, or disability, and to afford protection against extraordinary health costs incurred by the elderly and disabled. Large classes of the poor, especially the long-term unemployed and low-wage workers, receive little or no help from these programs, but nearly all middle-class and affluent workers can expect to enjoy social insurance benefits at some time in their lives. Yet those benefits are more important than are means-tested transfers in bringing people out of poverty. An estimated 64 percent of social security and Medicare benefits go to those whose monthly pretransfer incomes are below the poverty line, and one-half of the poverty gap is closed by those two programs alone.

The "human capital" programs—federal educational aid, work and training programs—have always represented a much smaller fraction of GNP and have undergone more ups and downs than the other two types of social expenditures. The combined total spent on human capital investment for the poor rose from almost nothing in 1964 to 0.85 percent in 1978, and has since fallen to less than 0.45 percent. Burtless emphasized that income assistance and human capital

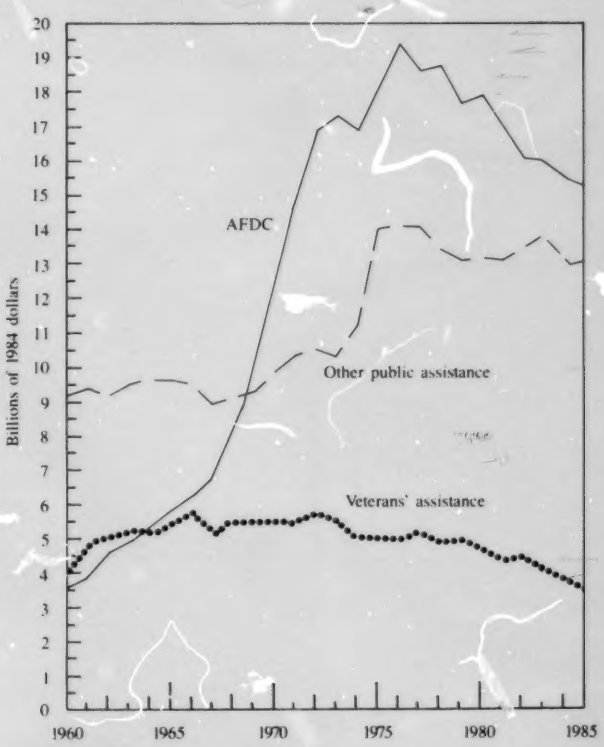

Figure 2. Outlays on Cash Assistance Programs, Fiscal Years 1960–85

Source: Gary Burtless, "Public Spending for the Poor: Trends, Prospects, and Economic Limits," Institute for Research on Poverty, Conference Paper, revised February 1985. Data from publications of the U.S. Department of Health, Education, and Welfare; U.S. House of Representatives, Committee on Ways and Means, *Background Material on Poverty* (1985); *Social Security Bulletin, Annual Statistical Supplement, 1983*, and federal budget, various years.

investment are not really substitutes: training and education programs are a gamble on the future, while cash and in-kind aid are directed primarily at present improvements in economic well-being.

Limits to social spending

Are there penalties that society must pay for disbursing funds on social programs? Responding to the charge that they lower national output, Burtless pointed out that such spending does not by itself reduce GNP—if one additional dollar is raised in taxes and redistributed to the poor as transfers, national economic output will not be directly affected (although there are indirect effects, noted below).

Burtless identified a basic long-term threat to economic growth at present as the federal deficit, which he charged uses up scarce domestic saving and thus reduces investment in capital formation. Social insurance programs contribute little to that deficit, since they are largely supported by taxes earmarked for them, but public assistance, like most other types of government spending (including that for national defense), is financed out of general revenues. Federal revenue is now so much less than expenditure that ways are being sought to cut back on spending, in the absence of tax increases to raise revenues. The limit imposed by the deficit is not, however, economic so much as political. Burtless emphasized: "In the long run, setting an economically defensible level of spending for the poor must depend on society's willingness to tax itself in order to pay for that spending" (p. 48).

Two penalties do result indirectly from social spending. The taxes raised for it and the spending itself may lower the savings and work effort of both beneficiaries and taxpayers to some degree, although the magnitude of such effects has been debated for years and agreement is still not in sight. Burtless argued that even if merit is granted to the position that savings are reduced, this objection pales in the shadow of the large federal deficit that soaks up much of the private savings that are available. A number of studies have shown that transfers reduce labor supply, although the degree is uncertain. These two indirect effects can be regarded as an economic constraint—the price that is to be paid for increased well-being of citizens at the lower end of the income scale.

To put the U.S. experience in perspective, Burtless drew comparisons of the relationship of social welfare expenditures and economic growth in six major industrial nations

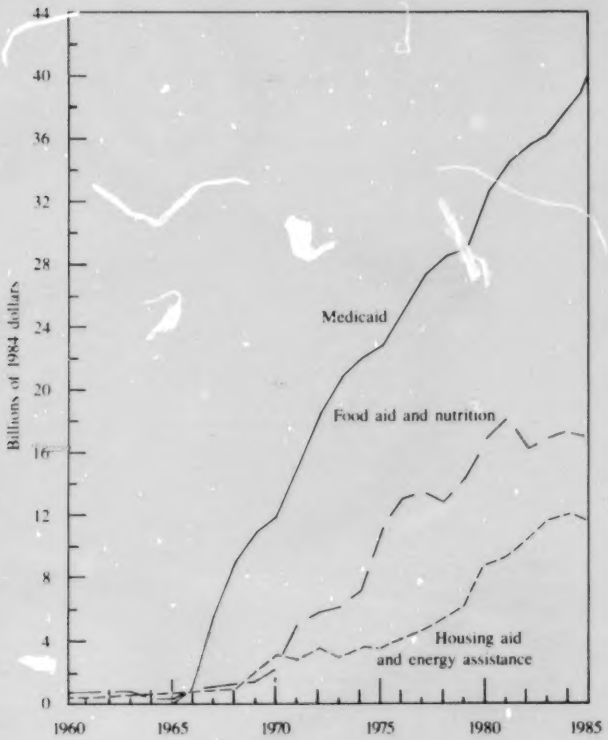

Figure 3. Outlays on In-Kind Assistance, Fiscal Years 1960–85

Source: See Figure 2.

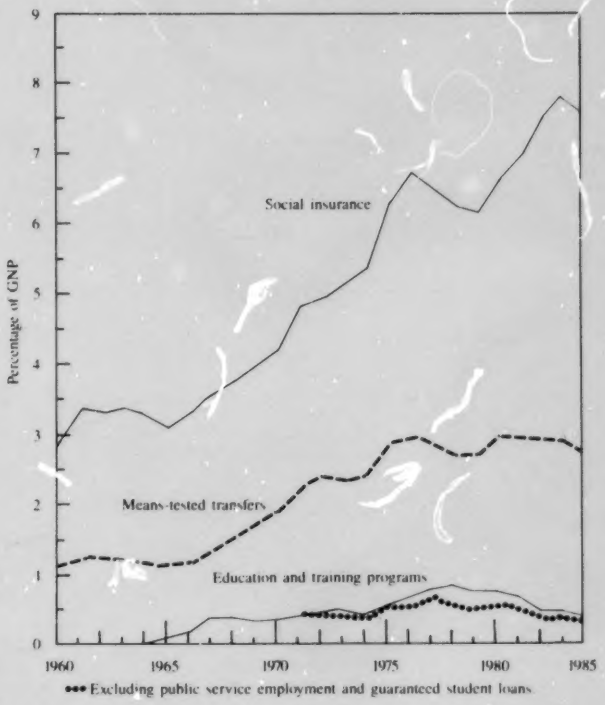

Figure 4. Poverty-Related Spending as a Percentage of Gross National Product, Fiscal Years 1960–85

Source: See Figure 2.

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from 1960 to 1981. Great variation was found, as shown in Table 5. Japan has spent the least on social programs but has had the highest growth rate. As a percentage of GDP, social expenditures in the United States were only slightly higher than Japan's in 1981, but the U.S. growth rate was relatively low. In France, Germany, and Italy, social expenditures began at a higher level and rose at a faster rate than in the United States, yet each enjoyed a more rapid per capita income growth than did the United States. This evidence suggests that generous redistribution can coexist with more rapid economic growth. Burtless concluded that the limits to redistributional policy were in the end a matter of political, not economic, choice:

> Americans may in fact have a more intense taste than Europeans for strict equality in the distribution of political and judicial rights. But the preference for equality does not extend to the economic sphere. Greater economic equity in the U.S. would require that a highly prized distribution mechanism—the market—be replaced by a more despised one—government interference (p. 61).

The politics of antipoverty policy

Americans' preferences are not a simple matter of tastes for equality, nor are they directly represented in public policy. Our political structures and processes, Hugh Heclo stated at the outset of his presentation, determine which elements of any intellectual agenda will be translated into action. His analysis of historical trends, public preferences, and institutional capabilities singled out those items on an antipoverty agenda that the American public would be more likely to accept or reject.

Appearances to the contrary, the New Deal did not leave a strong base for later construction of programs for the poor. Its relief programs were directed mainly at the employable; the attitude toward the unemployable and chronically poor was essentially that they should go elsewhere, "into the labyrinth of state and local general assistance or go away into a new and better future when social insurance would prevent all but the most extraordinary occurrences of destitution" (p. 8).

Partly because of this uncertain legacy and partly because of its own features, the Great Society's programs suffered from four political weaknesses. First, the policy community, composed of members of the executive branch and those persons "shuffling between government and the academy," had few enduring links with the politicians whose support was essential for a sustained antipoverty agenda. Second, reform efforts were identified with a particular president's persona and consequently suffered when public support for that president waned. The third defect lay in the vulnerability of a political coalition dominated by blacks, who succeeded in mobilizing grass-roots support but in turn provoked a backlash that undermined attempts to better the condition of the poor in general, both black and white. Finally, the political compromises required to obtain legislative passage of antipoverty programs made their operational failure more likely. For example, to accommodate the powerful local political forces represented by state social service bureaucracies, school districts, and private providers, the antipoverty programs were divided among a number of federal agencies and were operated through loose forms of

Table 5

Social Expenditure and Economic Growth in Six Industrialized Countries, 1960–81

	Social Expenditure as Percentage of GDP[a]		GDP per Capita	Annual Growth in GDP per Capita
	1960	1981	1981[b]	1960–81[c]
Germany	18.0%	26.5%	$11,080	3.1%
France	13.4	23.6	10,550	3.6
Italy	12.7	22.7	6,120	3.6
United Kingdom	10.3	18.9	8,880	1.8
United States	7.3	14.9	12,650	2.1
Japan	4.0	13.8	9,610	6.4

Source: Gary Burtless, "Public Spending for the Poor: Trends, Prospects, and Economic Limits," Institute for Research on Poverty, Conference Paper, revised February 1985, Table 3. Data are from publications of the Organisation for Economic Co-operation and Development.

[a] Government outlays on pensions, health care, and other income maintenance as a percentage of gross domestic product.
[b] Measured in U.S. dollars at 1981 prices and exchange rates.
[c] Measured in constant 1970 prices.

national, state, and private sector cooperation. The end result was dilution of effort.

In sum, neither the New Deal nor Great Society eras laid any firm political foundations for antipoverty commitments.

Preferences and institutional constraints

Heclo turned from these historical observations to analyses of the public preferences that seem to shape what will be politically acceptable. Information drawn from surveys and opinion polls over the past twenty years indicates that Americans do approve of making the federal government the dispenser of aid to the poor. This attitude marks the fading of principled "states rights" objections to federal activity, which Heclo suggested is probably the major legacy of the New Deal and Great Society. At the same time, the public regards as suspect any large social theories or grand ideological justifications concerning national action in social policy.

There is, and long has been, general support for the idea that the needy should be helped through large-scale social programs such as education, pensions, and health care. But the electorate views cash assistance programs with less favor, probably because a strong belief in the work ethic makes suspect any programs offering non-work-related benefits to people of employable age who are not physically incapacitated—the "undeserving" poor.

Heclo then sketched the particular features of our political institutions that shape the way in which these general preferences are put into effect. First, the diffusion of effective power within the executive, among various parts of Congress, and between different levels of government encourages policy advocates to overdramatize the problems they wish to solve and oversell the solutions they have to offer. This in turn serves eventually to undermine support when reactions set in against the overpromising and underperforming.

Second, because of the diminished power of congressional and party leaders, distributive coalitions have to be formed to obtain passage of enabling legislation. Representing a variety of constituencies, such coalitions are inclined to spread program benefits across many districts, thereby making it impossible to concentrate effort where needs are greatest.

The character of the national bureaucracy also thwarts effective delivery of help to the needy. Marked by a fragmentation of jurisdictions that reflects and reinforces comparable divisions within Congress, effective bureaucratic direction is rarely possible. And yet purposeful coordination of a variety of programs is precisely what is required to meet the range of needs represented among the poor. Bureaucratic diffusion has especially hampered efforts in the very area that the public strongly supports: work-oriented programs for the poor. Such programs have consistently been marred, in Heclo's view, by administrative inefficiencies, vacillating objectives, and bungled relations with the private sector.

The general result of these political features is a stinginess of effort and a permissiveness of purpose that often leave the poor unassisted and the public dissatisfied. Heclo concluded that the concept of income poverty is an analytical construct without a political constituency. "The main political problem with antipoverty policy is that it is antipoverty policy" (p. 47). Only when they are afforded the protective coloration of a larger social agenda, as in the antipoverty features interwoven with the more general social security programs, can antipoverty efforts receive the political backing they require.

Discussion

James Patterson noted that both papers described the political salability of social security, in contrast with the obstacles that lie in the path of policy directed solely toward the poor. Patterson stressed the historical forces behind the stinginess of the American commitment to public welfare. The abundance of their land of plenty has traditionally led the American people to offer opportunity, a hand up, rather than welfare, a handout, since ample natural resources were thought to be available for any who wished to take advantage of them. And the diversity and complexity of our society have impeded development of the consensus needed for a strong commitment to public spending for the poor.

Patterson felt that both papers overlooked an important reason for the especially harsh tone of current American attitudes toward the poor; namely, the view that an undeserving underclass is developing, consisting disproportionately of minorities, sexually loose welfare mothers, drug addicts, and lazy dropouts. This view of a "new" poverty, in combination with economic uncertainty, makes it more and more difficult to sell antipoverty policy to the electorate.

John Palmer interpreted the main lesson of Heclo's paper to be that the complex set of public attitudes and preferences detailed by the author should play a greater role in the design of federal policies for the poor.

To the limits on social spending described by Burtless, Palmer added another broad constraint: the need to choose, over the next decade, among competing worthy objectives in a world of scarce resources. Is it better, for example, to reduce social insurance or means-tested programs if domestic spending is to be further reduced because of the federal deficit? If budget restrictions lessen, should priority be given to expanding public assistance and/or employment programs, or to tax relief for the poor? The answers involve value judgments, but may nevertheless be required, and will have considerable consequences for the economic welfare of the poor.■

Session 7: Summing up and looking ahead

Serving as rapporteur, Edward Gramlich had the considerable task of summarizing the conference and pointing out future directions for research. He focused on three main themes: the problems of poverty related to family structure, the difficulties of curing joblessness, and the new thinking regarding categorical treatment of groups in need. He also recommended that researchers take into account regional variations across the country.

Gramlich's discussion of family structure centered on the research questions that remain unanswered. We do not yet have enough information on the reasons that parents decide to go it alone, nor do we know if separate living arrangements of parents increase their likelihood of poverty in the long run. Mary Jo Bane's paper provided information on income levels immediately following formation of single-parent households, but we cannot predict, on the basis of evidence to date, whether separated parents will be more or less likely to climb out of low-income status in later years. According to Gramlich, Ellwood and Summers presented convincing evidence that major responsibility for formation of households with one parent cannot be attributed to the AFDC system, and Wilson and Neckerman were equally convincing in relating the rise in black single-parent families with the decline in employed black youth. Both papers, Gramlich felt, indicate the utility of further research on those subjects.

The need to expand employment opportunities for low-income groups was a theme touched on in the papers of Blank and Blinder, Ellwood and Summers, Wilson and Neckerman, and the Hamiltons. Unlike the problem of family structure, where research has not yet proved conclusive, studies of employment programs have with certain exceptions given discouraging results, as described by Glazer and by Bassi and Ashenfelter, and alluded to by Heclo. Our options are limited. Public jobs programs face union objections and the problems of displacing other workers; a decline in the real value of the minimum wage has not brought down unemployment rates among youth; and training programs cannot be expected to work very well until we have plentiful job opportunities for their graduates.

Gramlich observed that a number of the papers underscored the desirability of a more categorical strategy in transfer policy, as compared with earlier thinking that a universal negative income tax was the way to go. Ellwood and Summers demonstrated that categorization by types of recipients is economically efficient in distinguishing between those capable and incapable of work. Low tax rates and greater work incentives for those capable of work are required. Stuber's paper indicated that categorization of recipients of goods and services can also be efficient in accomplishing the aims of donors: the health of the poor seems to have been improved by the programs targeted on them. And in view of the public preferences outlined by Burtless and Heclo, categorization seems to be more acceptable politically.

Problems remain, however. In return for categorizing programs, do taxpayers require that able-bodied recipients reciprocate by working, as Mead suggested those on welfare be required to do? If so, where are the jobs for them? Are those who pay the taxes for welfare programs willing to pay more for job training and job creation? The questions proliferate, but the answers do not.

Taken together, the papers of the conference suggested directions for research. Daniel Weinberg undertook that task in his paper, presented at the close of the conference.

Poverty research in the future

Weinberg organized his recommendations for further research under seven headings: family and household structure, work and welfare, in-kind transfer programs, labor market studies, the relationship of poverty to the broader society, intergovernmental relations, and methodological issues.

To enlarge our understanding of complex interactions among the events that determine family formation, the particular living arrangements chosen, and the economic circumstances of family members, Weinberg emphasized the need for continuing economic analyses of responses to government incentives, coupled with ethnographic studies to take into account cultural factors as well as demographic research on trends in fertility, marriage, divorce, and migration. Immigration, homelessness, and intergenerational support—by absent parents for their children, and by adults for their elderly parents as the life span increases—are also research issues that bear on family structure and poverty.

In the area of work and welfare, we must determine the appropriate role and effectiveness of work incentives and obligations as components of public assistance programs. We can also take advantage of the increasing availability of longitudinal data to gain insight into such correlates of welfare participation as labor market conditions, rule changes in public programs that affect earnings, the formation and dissolution of families, and changes in health status. It would be of benefit to learn more about the way in which delivery of social services affects the success of work programs and removes obstacles to employment posed by the problems of health, language, or lack of child care.

In-kind benefits appear to be much more acceptable politically than cash assistance to the able-bodied poor. Research efforts involving such benefits should include analysis of the effects of Medicaid on the work behavior and well-being of the poor, studies concerning how we may provide housing assistance in the most equitable and efficient way, and what educational techniques are most effective in increasing the skills and achievement of low-income students.

To provide employment for the poor, low-wage labor markets are critical. We need studies that will tell us what kinds of jobs offer stable employment to low-wage workers, what kinds of employers offer such jobs, and under what conditions. The trend toward a service-oriented economy and the changing age structure of the population affect that labor market, and should be taken into account. To come to terms with the problem of youth unemployment, we must further analyze results of the programs that have been tried so that we may determine what works best and how those lessons can be applied on a national scale.

On a broader level, Weinberg urged research into the causes for widening inequalities in the earnings distribution; the consequences for the poor of the division of responsibility for them among federal, state, and local governments, and the continuing effect of discrimination on the economic well-being of the poor. He closed with a discussion of methodological issues: the construction of a more accurate poverty measure, the validity of different types of equivalence scales, the use of different accounting periods in assistance programs, improvements in microsimulation techniques, and advances in evaluation methodology to take account of the problems of selection bias, truncation, and limited dependent variables.

Is any effort worthwhile?

The conference disclosed lessons from past antipoverty policies and suggested directions for future initiatives. Yet in view of economic uncertainties and political constraints, what is the utility of undertaking new efforts, or even putting our energies behind existing ones? Why bother? Alfred Kahn, professor of social work at Columbia University and for many years a member of the Institute's National Advisory Committee, spoke to that question during an evening round-table session at the conference.

Kahn cited the 1963 book *Seedtime of Reform*,[1] which described the vigorous activities of voluntary associations and their leaders during the prosperous 1920s, a period that did not encourage public efforts for the poor. Yet the diligent work of the associations laid the groundwork for the reforms that began during the next decade, in response to the crisis of the Great Depression. Despite the inhibiting climate of their own era, these groups persisted in collecting data, formulating plans, inventing, and advocating. Their efforts made it possible to move on many fronts when the need became urgent. Teamed with others, they contributed to the emergence of social insurance, child welfare, public housing, and a new approach to the federal role, paving the way for further efforts in later decades.

Perhaps, Kahn suggested, the 1980s may prove to be a seedtime.■

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[1] Clarke A. Chambers, *Seedtime of Reform* (Minneapolis: University of Minnesota Press, 1963).

Small Grants program: Round IV awards

The Institute and the Department of Health and Human Services announced in May 1985 the awards in the fourth competition of the Small Grants program, for research beginning July 1, 1985. The Institute will sponsor another competition for research in the summer of 1986. A call for proposals will be available by November 15, 1985.

Five projects were selected:

- *The Effect of the Food Stamp Program on Nutrient Intake*

This study will address the question of whether those who receive food stamps actually become better nourished, as one would expect. If recipients use the stamps impulsively, splurging in one period and going short in another, nutrients will not be consumed in the regular amounts needed to improve physical well-being. Or if stamps are used to purchase convenience foods rather than those containing more nutrients, recipients will not be better nourished. The analysis will draw on data from the Food Stamps Cashout Project of 1980–82. Principal Investigator: J. S. Butler, Vanderbilt University.

- *Government Aid to Poor College Students: Its History and Prospects*

The research will evaluate the benefits that accrue to students from poor families who are able to attend college because of government financial assistance. It will assess the effect of that aid on the types of institutions the students attend and the degrees they obtain. It will also examine the potential effects on the poor of current proposals to limit federal aid to college students. Data from the High School and Beyond Study will be used. Principal Investigator: Sandra R. Baum, Wellesley College.

- *Government Social Welfare Spending and the Private Nonprofit Sector*

When the federal government cuts back its spending on social welfare, do private nonprofit organizations take up the slack? Donors to those organizations may increase their contributions, to provide a substitute for government-backed services, thus enlarging private-sector efforts. Yet a part of government spending goes directly to private welfare agencies in the form of grants and contracts for services. Federal cutbacks may therefore reduce the activity of charitable organizations, despite increased donor contributions. This project will investigate these and other links between government expenditure policy and the private nonprofit sector. Principal Investigator: Jerald A. Schiff, Tulane University.

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